

Virginia Wastewater Revolving Loan Fund Design Manual

Revised May 16, 2001

Chapter I - Introduction

A. Authorization

The Federal Water Quality Act of 1987 established a State Revolving Fund (SRF) Capitalization Grant Program. Federal Capitalization Grants are awarded to states for deposit in a State Water Pollution Control Revolving Loan Fund. From this fund, states provide loans to local governments for wastewater treatment improvements to publicly-owned facilities. Loan repayments then provide a continuing source of revenue available to localities for solving water pollution control problems.

The 1986 Virginia General Assembly created the Virginia Water Facilities Loan Fund to facilitate self-sufficiency for wastewater financing at the state and local levels and to provide a long-term renewing source of funding for wastewater treatment improvements (Appendix A). The Fund is separate, permanent, and perpetual, dedicated solely to wastewater treatment improvements at publicly-owned facilities. Money from the Fund is loaned to local governments at rates at or below current market rates; all principal and interest is repaid into the Fund; money is then reloaned for additional projects.

The 1996 General Assembly amended Chapter 22, Section 62.1-299, Code of Virginia, to provide financial assistance from Virginia's Wastewater Revolving Loan Fund to address malfunctioning or inadequate on-site wastewater disposal systems under certain circumstances. The action was taken in accordance with EPA general guidelines allowing for expanded use of the State's revolving fund.

The 1999 General Assembly also amended Chapter 22, Section 62.1-229, Code of Virginia, by adding a Section 62.1-229.1 authorizing loans to be made for the construction of facilities or structures to implement agricultural best management practices to prevent pollution of state waters.

By separate legislation the 1999 General Assembly amended Chapter 22, Section 62.1-224 and 62.1-232 providing privately-owned wastewater treatment facilities accessibility to Virginia Wastewater Revolving Loan Funds if this type of expansion is authorized by Federal law.

The Virginia General Assembly has given the State Water Control Board responsibility for administering the policy aspects of the Fund, determining which communities receive funds, at what interest rates, and under what terms. The General Assembly also authorized the Water Control Board to accept any federal money appropriated for the Revolving Loan Program. The Board has delegated responsibility for management of the day-to-day operations of the Fund to its staff of the Department of Environmental Quality (DEQ). The Virginia Resources Authority (VRA) serves as the financial manager of the Fund.

B. Funding

The Commonwealth has agreed to satisfy a 20% match requirement on all federal funds received under the program. As provided by P.L. 100-4, state matching funds are deposited in a dedicated

State Revolving Fund account on or before the date the State receives notice of its federal grant payment to the Fund.

On June 10, 1988, Virginia's Revolving Loan Fund Program's first Federal Capitalization Grant was approved by EPA. Virginia's General Assembly has continued to appropriate state matching funds as necessary to secure all federal funds made available.

State appropriations and the Federal Capitalization Grant process are expected to continue through the year 2002. The amount of Federal funds varies from year to year based on a yearly congressional Title VI Appropriation and Authorization.

C. Leveraging

"Leveraging" available resources on the bond market may be used as deemed necessary when the yearly loan demand to solve environmental problems exceeds funding availability.

D. Goals and Objectives

The goals and objectives of Virginia's Revolving Loan Program are to create a financial assistance program to:

- Assist localities in meeting required treatment levels and water quality standards.
- Provide a long-term renewing source of financing for wastewater treatment improvement needs.
- Encourage self-sufficiency at the state and local levels for wastewater financing and decrease dependency on federal grant programs.
- Provide an alternative to traditional financing through lower-cost loans to local governments.

E. Project Prioritization - Funding Distribution

Federal regulations require that the State develop a loan priority list, receive public comment, and submit this loan list to EPA as part of Virginia's SRF Capitalization Grant application, along with its annual Intended Use Plan. *Federal regulations, however, do not require* that projects be provided financial assistance in subsequent priority order. Revolving loan applications are solicited annually, evaluated, and prioritized in accordance with an adopted yearly distribution and rating criteria. Yearly assistance is based on criteria which evaluates and ranks the project type and environmental need, the use of innovative technology, the locality's fiscal stress, the project's schedule-to-proceed to construction, previous compliance history, severity of pollution and impacts on impaired waters, and other economic and environmental factors. Projects proposed for construction should clearly demonstrate that they will remediate existing pollution problems or prevent future problems. A project proposed for consideration should also be able to demonstrate that it can proceed to construction within 18 months from the date of its application. A detailed explanation of the Board's procedure for the distribution of available funds is contained in Chapter III.

DEQ also maintains a loan applicant mailing list from which yearly application solicitations and/or mailings are initiated. The mailing list is updated yearly as water quality problems or sewer improvement needs are identified by the locality or by the DEQ Regional Offices.

F. Allowable Cost - Project Eligibility – Reimbursement

Virginia's program allows for any reasonable and necessary expansion, upgrade, extension, replacement, repair; rehabilitation and/or additions to public wastewater treatment facilities. The program also allows for any needed new facility or new conveyance system and generally all associated planning and design costs. Loan requests received which are solely supported by the economic development needs of an area or an entity may be excluded from funding participation. Loan proposals must be supported by a need which remediates an existing pollution problem or prevents a future environmental problem. DEQ may reduce loan eligibility, and/or the scope and size of a project to ensure the greatest financial and environmental benefit to as many communities as possible. Loan assistance may be reduced to correlate to a project's proposed construction schedule and its cash flow needs.

Sizing of a system and its appurtenances should be in conformance with established procedures as outlined in the Virginia Sewerage Regulations and with generally accepted engineering practices.

Expenses incurred on an approved project prior to the execution of a loan agreement are also eligible costs provided they are necessary and attributable to the project and the debt was incurred after March 7, 1985.

The SRF may be used to refinance a local debt obligation at or below market rate if such debt was incurred and construction began after March 7, 1985 and the project underwent an environmental review. All projects considered for refinance by the Fund must have undergone a previous review receiving environmental clearance and having been issued a FONSI or other form of environmental clearance prior to construction. Where the original debt was in the form of a multi-purpose bond incurred for purposes in addition to wastewater treatment facility construction, the SRF may provide refinancing only for eligible purposes and not for the entire debt. Reimbursement or refinancing requests also cannot be associated with the local share of a previous EPA construction grant project.

DEQ evaluates loan allowability for new collector sewers on the basis of sewer needs as they relate to the elimination of public health hazards, groundwater contamination and other factors related to water quality problems that exist due to the lack of central sewerage facilities in the area. The need for new sewer lines must be supported by a need which proposes the remediation of existing pollution problems or the prevention of future environmental problems. Allowability is limited to sewer lines including wyes and tees for residential connections. House laterals are ineligible under the program.

The purchase of land, easements and/or right-of-ways cannot be considered an allowable cost under the Revolving Loan Program unless the land is considered an integral part of the treatment process. Legal, administrative, and engineering expenses related to these purchases are also unallowable. Other stipulations on allowability of cost may also apply, and all costs are reviewed and considered on a case-by-case basis.

Disbursement of the recipient's approved loan proceeds is made on a cost reimbursement basis. All requests for disbursement of loan funds must be substantiated by invoices. DEQ staff must also review and approve such requests prior to the actual disbursement of funds.

G. Interest Rates

Virginia's Revolving Loan Program allows for loans to be made to communities at rates equal to or below current market interest rates. DEQ, following consultation with VRA, establishes the interest rate for each individual loan.

All applicants are initially considered for an interest rate in the range of 3% to the ceiling rate. The VRLF ceiling rate is adjusted to remain no less than 1% below municipal bond market rates at the time of loan closing. If the project is supported and funded through a future bond leveraging program an additional rate reduction may be offered to Virginia's ceiling rate projects. These rates are available for any upgrade, expansion, extension, replacement, repair, rehabilitation and/or addition to public wastewater treatment facilities, new facilities, or new conveyance systems.

Interest rates below 3%, and down to a no-interest loan, are considered where financial conditions warrant and where at least 75% of the project cost is applicable to resolving mandated water quality problems, and/or where an imminent or urgent public health situation is documented. Actual rates are established individually for each project based on the above and the financial capability of the locality. The loan recipient will be entitled to an additional interest rate reduction of 1% below its established rate from the above calculations if a majority of the proposed treatment works meets the program definition to be classified as being innovative. Innovative technology involves processes and techniques that are not fully proven in the circumstances of the intended use and are not considered to be conventional. The innovative technology should represent a significant advancement over widely used conventional technologies and facilities in terms of improved environmental performance, pollution prevention, reduced cost, and/or enhanced resource efficiency, such as energy conservation, reduced chemical use or water recovery, recycling and reuse. In order to qualify for the interest rate reduction a major portion of the project cost must be for implementation of the innovative technology project. EPA's Innovative Technology guidelines and DEQ's pollution prevention guidelines will be used in evaluating applications. Energy and operational cost saving must be calculated against the entire treatment works being proposed.

Using financial data submitted on the community's loan application, the annual cost of debt service and operation and maintenance are calculated. The residential share is then derived by taking into account the number of residential users. These factors are used to compute the approximate monthly residential user cost for a range of interest rates.

The range of possible charges is compared to the community's existing monthly sewer bill and the community's affordable sewer cost per household. (Updated Guidelines for determining affordable cost per household are identified in Appendix B of this document.) Using the above data and other factors deemed necessary, an appropriate interest rate is recommended.

H. Payments

Principal and interest payments must be made at least annually beginning no later than one year after the date of completion of construction. Payment terms and the beginning date of the payment of the loan are negotiated on a case-by-case basis depending on availability of revenue and the community's financial situation. The loan must be fully amortized not later than twenty years after project completion. Each loan recipient must establish one or more dedicated sources of revenue for payment of the loan. Dedicated sources of revenue could be water and/or sewer revenue pledges, general tax pledges (full faith and credit of the municipality), revenue or general obligation bonds.

I. Authorized Expanded Use Programs

1. On-Site Wastewater Treatment and Disposal Funding

The 1996 General Assembly amended Chapter 22, Section 62.1-229, Code of Virginia, to provide financial assistance from the Virginia Revolving Loan Fund to address malfunctioning or inadequate on-site wastewater disposal systems. Through this program, low-interest financing from the fund is made available to local governments which, in turn, make loans to individual property owners for repairs or replacement of failing on-site wastewater treatment systems. The program is not intended to take the place of planned public sewer lines or the connection to public sewer lines. The program was created to remedy public health and water quality problems associated with malfunctioning or inadequate on-site systems. Additional information on this program is available upon request.

2. Funding for Agricultural Best Management Practices - Non-point Source Pollution Abatement

The 1999 General Assembly amended Chapter 22, Section 62.1-229.1, Code of Virginia, to provide financial assistance from the Virginia Wastewater Revolving Loan Fund for the construction of facilities or structures to implement agricultural best management practices to prevent pollution of state waters. Loans may be made, at the Board's discretion, to an individual for the implementation of agricultural best management practices, to a local government which has developed a low-interest loan program to provide loans or other incentives to facilitate the implementation of agricultural best management practices, or to a financial institution working with a local government to establish such program. The Board shall establish guidelines for the administration of such loans and shall determine the terms and conditions of any loan from the Fund. DEQ plans to implement this funding initiative concurrent with its FY2000 capitalization grant for public/point source funding by setting aside funds from Virginia's current loan repayment stream or by funds made available through its capitalization grant. Funding will initially be limited to structural type improvements necessary at Virginia farming operations to prevent pollution from entering Virginia waters. Separate implementation guidelines are being developed for this financing initiative. Implementation guidelines will be available upon request.

3. Potential Funding for Private Wastewater Treatment Facilities Improvements

The 1999 General Assembly amended and reenacted Chapter 22, Sections 62.1-224, 62.1-225, Chapter 62.1-228 and 62.1-229 to allow for loans from the Virginia Wastewater Revolving Loan Fund to private wastewater treatment facilities, if such loans are permitted by federal law. Funding for needed improvements at privately-owned treatment works is currently prohibited by the Federal Clean Water Act. Once this funding expansion is authorized on a federal level the same conditions would apply to these loans as are applied to loans made for publicly-owned facilities.

Chapter II - Synopsis of Program Requirements

A. Introduction

There are a number of requirements which are applicable to projects funded through the Virginia Revolving Loan Fund (VRLF) Program. It is the intent of the Department of Environmental Quality (DEQ) to ensure compliance with all of these requirements by our loan recipients through the most expeditious, streamlined, and least burdensome method. However, in order for this goal to be achieved, it is important that our recipients be fully cognizant of these requirements and that they follow through in meeting these requirements in a thorough and timely manner.

The purpose of this synopsis is to provide a very brief summary of the program requirements as they relate to our loan recipients so that they are fully aware of them and can act accordingly. The synopsis is not intended to explain all of the details of meeting these requirements, as that information is provided in the *Procedural Guidelines*. It is imperative that the recipient read and familiarize himself with those *Guidelines*. This document simply provides a concise review of all the requirements for easy reference in one location.

B. Financial

1. Compliance with the Virginia Public Procurement Act. (Loan recipients must comply with all the requirements of this Act regardless of population size).
2. Compliance with Office of Management and Budget Circular A-87 and A-102.
3. Compliance with the Uniform Financial Report Manual.
4. Compliance with the Single Audit Act.

C. Planning

There are two (2) Program requirements related to project planning. These requirements are normally addressed in a project's Preliminary Engineering Proposal or Report. It is important to note that both planning requirements must be satisfied prior to closing a loan through the VRLF. The requirements are as follows:

1. *Environmental Review* - This requirement is intended to ensure that projects funded through the VRLF are environmentally sound. It involves a review of the environmental impact of the project alternatives, along with any preventive or mitigative measures which could be taken to minimize any adverse impact. There are three types (or levels) of environmental review in the Program. Each is based on the project's potential for significant environmental impact. They range from a relatively simple Categorical Exclusion to the more complex Environmental Impact Statement. The review includes procedures for soliciting public participation into the process and final review and approval by DEQ.
2. *Cost-effective Analysis* - This requirement is intended to ensure that the project is the most cost-effective alternative. The loan recipient must document that project planning involved a complete evaluation of appropriate alternatives and that the selected alternative was the most cost-effective. This determination should take into account the environmental impact and implementation aspect of the alternatives considered. For treatment plant projects this requirement is also intended to ensure that the most cost-effective approach for dealing with the infiltration/inflow (I/I) entering the project's collection system is selected and undertaken. The loan recipient must do an analysis of the I/I in their collection system and determine the most cost-effective combination of rehabilitation/treatment. The recipient must then have either completed or committed to complete the I/I removal program that was determined to be the most cost-effective.

D. Design/Construction

1. *Virginia Sewerage Regulations* - The design of the wastewater facilities must be in conformance with the *Virginia Sewerage Regulations*. Furthermore, the required approvals from the State Department of Health and DEQ must be received prior to the closing of the loan.

2. *Inclusion of the VRLF Contract Inserts* - The specifications for the project must either include the Contract Inserts provided in the Procedural Guidelines or otherwise address the following requirements:

- (a) Compliance with Equal Employment Opportunity
- (b) Certification on Non-Segregational Facilities
- (c) Compliance with Minority and Women's Business Enterprise Goals (MBE/WBE)
- (d) Compliance with the Civil Rights Act of 1964
- (e) Compliance with Age Discrimination Act of 1975, Rehabilitation Act of 1973, and the prohibition against sex discrimination
- (f) Compliance with Section 306 of the Clean Air Act and Section 508 of the Clean Water Act
- (g) Procurement of goods and materials from Small Businesses in Rural Areas of the Commonwealth of Virginia wherever practical and feasible
- (h) Provides that a contractor or subcontractor maintain a drug-free workplace during the performance of contract duties for any wastewater revolving loan-assisted project

The contractor must demonstrate a "good faith effort" in the solicitation and utilization of Minority and Women's Business Enterprises (MBE/WBE) during the bid process in order to be considered a responsive bidder. Efforts such as public notice and/or direct telephone or postal solicitations must be undertaken. Evidence of these efforts as well as information regarding the anticipated utilization of MBE/WBE firms must be presented and must demonstrate a "good faith effort".

3. *Sewer Use Ordinance* - The loan recipient must have an adopted, DEQ-approved, Sewer Use Ordinance in place prior to final disbursement of loan proceeds. The ordinance must require proper construction of building sewers and connections; prohibit the connection of new inflow sources; and prohibit the introduction of wastewater constituents which threaten public safety, cause violation of effluent limits, or preclude the most cost-effective alternative for sludge management. This ordinance should be submitted to DEQ by the recipient as early as possible for review and approval and must be approved prior to the 95% disbursement level.

E. Post-Construction

Project Performance Certification (Treatment Plants and Pump Stations Only) - This provision requires that, one year after the date of initiation of operation of the project, the loan recipient must certify whether the project does or does not meet its performance standards. The performance standards will be a part of the financing agreement and will generally be based on the facilities' permit limitations and/or design specifications that the project was intended to achieve as well as the ability of all units/processes to operate. Should the project fail to meet the performance standards, the loan recipient must submit a Corrective Action Report to DEQ outlining the causes of the problem and the corrections to be made, along with a schedule for correction. The loan recipient must then undertake the correction and, ultimately, submit an affirmative performance certification.

F. Summary:

The staff of DEQ feels that our assistance with the cooperation and effort of the loan recipient allows successful wastewater projects to be funded and completed expeditiously. Please contact DEQ staff members any time you would like to discuss these requirements.

Chapter III - Recipient Selection

A. Loan Priority Funding List Requirements

Section 216, Title VI of the Water Quality Act of 1987 requires that DEQ prioritize the potential loan projects for funding consideration in the Commonwealth. No project can receive financial assistance from an SRF unless it is on this priority funding list. Regulations, however, do not require that projects receive financial assistance in priority order.

DEQ will:

1. Utilize the funding distribution criteria adopted by the Board to evaluate and rank all the applications received yearly, and project funding will be based on available funds and the project's environmental need/benefit;
2. When demand exceeds funding availability the program by-pass procedures will be utilized. Projects may be bypassed for funding when DEQ determines limited environmental benefits, and/or the project schedule does not identify a readiness to proceed to construction. Also, the need to obligate special grant or loan set-asides may be necessary.
3. Funding may also be reduced when the construction schedules for larger high cost projects allow for a loan reduction based on the construction schedule cash flow demand for the first or second year of funding.

B. Application Solicitation

Each year, usually in the month of May, DEQ determines potential funding availability for the upcoming funding cycle and initiates a statewide solicitation of applications for revolving loan assistance. A request for applications is mailed to all counties, cities, towns and service and sanitation authorities operating wastewater treatment and collection systems in the Commonwealth. DEQ's mailing list is updated as local water quality problems and sewer improvement needs are presented to DEQ's Clean Water Financing and Assistance Program staff. Individual, professional or other interested parties may also be placed on the DEQ mailing list upon request.

Forty-five to sixty days is generally allowed for completion of a request for assistance. Following a determination of eligibility and application completeness, each request received is evaluated and ranked according to the SWCB's loan distribution criteria and by-pass procedures outlined in this chapter. Proposed projects that are perceived to be able to move to the construction stage during the upcoming calendar year qualify for funding consideration from available funds.

Accompanying the development of a fiscal year priority funding list is the Program's fiscal year Intended Use Plan (IUP) developed as per federal requirements.

The proposed fiscal year funding priority list along with the developed IUP for the year is presented to the SWCB at its Fall meeting for tentative adoption. Once the targeted funding list is tentatively adopted by the SWCB, public comment on the list and the IUP are solicited.

Following the public comment period and the resolution of concerns, if applicable, the IUP and fundable priority list is again presented to the SWCB for final adoption. During this regularly scheduled board meeting (usually December) the Board sets the terms and conditions of the loan and authorizes the execution of the loan agreements.

C. Yearly Loan Fund Distribution Criteria

All applications received within the established deadline will be evaluated, their scope and loan eligibility refined, and a funding order established based on available funds and the following criteria. The weights assigned to these criteria are outlined in Appendix D.

1. Targeted Project Types

In keeping with the objective of assisting local governments in meeting federal and state mandates, complying with new/more stringent water quality standards, regulations, or policies or permit limitations; and addressing declared public health hazards will be the highest priority for immediate funding.

Addressing growth and non-growth related wastewater problems that have resulted in referral to the Office of Enforcement or an enforcement action; addressing potential health hazards; or rehabilitation, replacement or expansion of existing facilities will be considered moderate priorities. Providing sewer service to previously unsewered areas will be considered a lower priority.

Under this criterion, the applicant's project proposal will be evaluated and placed in the category which best describes it. If, for example, a proposal under the more stringent water quality standard category contains additional features (such as capacity expansion) it will be awarded points under the highest category, but will be evaluated later to determine the appropriateness and eligibility of those additional features.

Projects proposing innovative technology will receive bonus points under the project-type category and will be considered for a 1% interest rate reduction. Innovative technology involves processes and techniques that are not fully proven in the circumstances of the intended use and are not considered to be conventional. The innovative technology should represent a significant advancement over widely-used conventional technologies and facilities in terms of improved environmental performance, pollution prevention, reduced cost, and/or enhanced resource efficiency, such as energy conservation, reduced chemical use or water recovery, recycling and reuse. In order to qualify for the interest rate reduction a major portion of the project cost must be for implementation of the innovative technology project. EPA's Innovative Technology guidelines and DEQ's pollution prevention guidelines will be used in evaluating applications.

2. Environmental Concerns

Two criteria will be used to assess the environmental concerns attributable to the proposed project.

The first, and most heavily weighted, is the relationship of the discharge to the condition of the receiving stream. This evaluation will utilize DEQ's 303(d) Total Maximum Daily Load Priority List, which is based on the biennial Water Quality Assessment Report to EPA and the U.S. Congress. Projects which are directly responsible for water quality problems in high priority water bodies will receive the most points in this category. Applicants who wish to evaluate their position under this criterion should refer to the most recent Virginia Water Quality Assessment Report.

Next, the applicant's enforcement and compliance history will be evaluated. Localities that have made good faith efforts to comply with State laws and requirements will receive a high ranking under this category.

3. Fiscal Stress

Fiscal stress, or relative financial need, will be a major factor in the yearly project ranking. The primary score will be based on the Composite Stress Index as computed and revised by the State Commission on Local Governments. The Composite Stress Index is based on several economic indicators including: revenue capacity, tax effort, change in revenue capacity, change in tax effort, and a poverty index. Additional details may be obtained by consulting the Commission's report

City and county applicants will receive the score as it appears on the index. Town applicants will receive the score of the surrounding county. Public service authorities and towns lying in more than one county will receive a weighted score based upon their component service areas.

The Commission's stress index does not specifically address towns because of a lack of financial data. Towns that can document financial condition significantly worse than the surrounding county may receive additional points in this category.

4. Readiness-to-Proceed

Because it is imperative that loan recipients proceed quickly with their proposed projects, applicants that can proceed immediately with their proposed projects, or demonstrate an advanced state of readiness, will be given the highest points under this category.

D. Project By-Pass Procedures

The Board reserves the right to by-pass any project of a higher priority and make loans to those of a lower priority in any year based on the following considerations:

1. There is a limited benefit to the program and/or community to offer only a portion of the funds needed to finance a multi-million dollar project.
2. There is limit and/or no environmental benefit to state water. (Example: the sewer project need is for future land development.)
3. The loan program was established to provide assistance to communities experiencing difficulty in obtaining funding from other sources; thus, when current VRLF funding for a larger, more affluent, project would be detrimental to the funding of a smaller economically-challenged community; and, when the larger, more affluent, community can secure assistance from other sources without significantly impacting their users.

4. The Board may need to obligate special funds that have been set aside for pilot programs, innovative/alternative projects, loan/grant combinations, or grants.
5. Since readiness-to-proceed is a critical factor in maintaining the integrity of the loan program, projects should be able to move into the construction stage within 18 months of submitting an application.

Appendix A

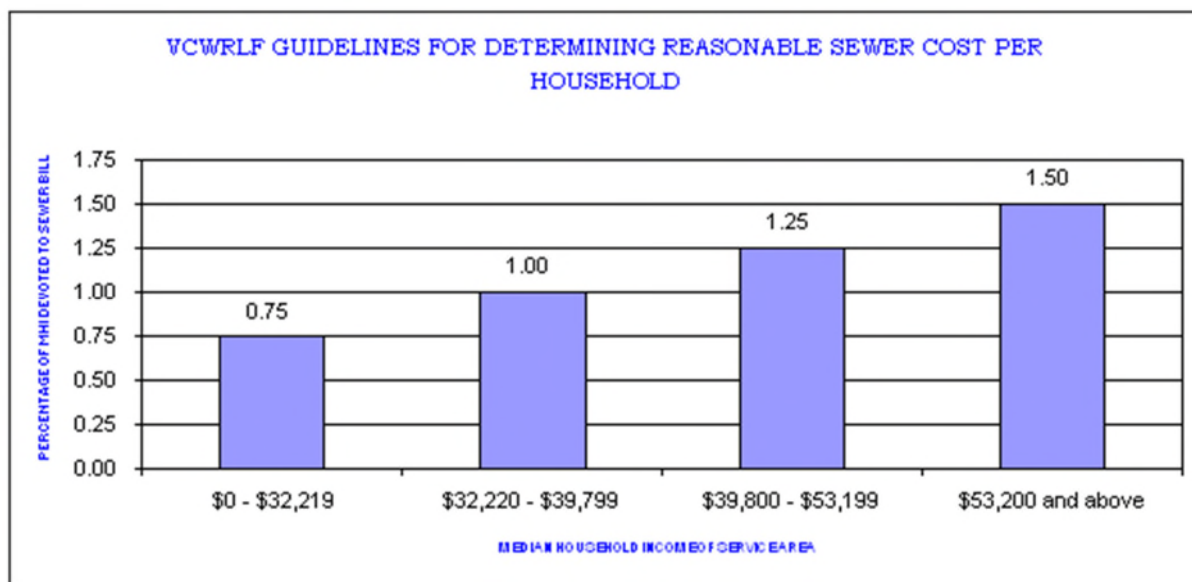
Chapter 22 - Code of Virginia

Title 62.1 - WATERS OF THE STATE, PORTS AND HARBORS

Chapter 22 - Virginia Water Facilities Revolving Fund

Appendix B

DEQ's Guidelines for Establishing Reasonable Sewer Costs



The above chart image displays the following information in graphical form.

For a median household income in the service area of \$0 to \$32,219, the percentage of median household income devoted to the sewer bill is 0.75%.

For a median household income in the service area of \$32,220 to \$39,799, the percentage of median household income devoted to the sewer bill is 1.00%.

For a median household income in the service area of \$39,800 to \$53,199, the percentage of median household income devoted to the sewer bill is 1.25%.

For a median household income in the service area of \$53,200 and above, the percentage of median household income devoted to the sewer bill is 1.50%.

Appendix C

Virginia's Wastewater Loan Application Package

Local governments may request a copy of the Wastewater Loan Application Package by contacting:

Karen M. Doran, Program Manager
Department of Environmental Quality
Clean Water Financing & Assistance Program
P.O. Box 1105
Richmond, Virginia 23218

Telephone: (804) 698-4133

Email: [Karen Doran](#)

Appendix D

Yearly Loan Distribution Criteria

I. TARGETED PROJECT TYPES/NEED	(Maximum 250 pts.)	
II. ENVIRONMENTAL CONCERNS		
A. Priority Water Bodies	(Maximum 150 pts.)	
B. Enforcement/Compliance History	(Maximum 25 pts.)	
III. FISCAL STRESS		
A. COLG's Composite Stress Index	(Maximum 100 pts.)	
B. Bonus for Towns	(Maximum 25 pts.)	
IV. READINESS-TO-PROCEED	(Maximum 50 pts.)	
TOTAL POSSIBLE SCORE	600 PTS.	
I. BOARD'S TARGETED PROJECT TYPES/NEED		(MAXIMUM 250 PTS.)

<u>A. Project Need</u>		<u>Points</u>	
Meet requirements of NMP or new /more stringent water quality standards, regulations, or policies		200	
Address a critical, severe or urgent existing public 175 health hazard (as declared by the State Department of Health's H/H Criteria)		175	
Address wastewater problems which have resulted 150 in referral to the Office of Enforcement or an Enforcement Action and are not growth-related		150	
Address a potential public health April 11, 2006 Health documentation)		100	
Address facilities under Board's Treatment Plant loading Regulations or other wastewater problems which have resulted in referral to the Office of Enforcement or an Enforcement Action and are growth-related		100	
Rehabilitate, replace, refurbish, or expand 50 wastewater facilities		50	
New sewer service to previously unsewered areas		25	
<u>B. I/A Technology application</u>			
Project proposes the utilization of innovative technology subject to definition and criteria stablished by DEQ.		50 bonus pts.	
II. ENVIRONMENTAL CONCERNS			
<u>A. Priority Watersheds and Segments</u>		(Maximum 150 pts.)	
1. Relationship Of Discharge Classification To Pollution Problems	303(d)	305(b) (threatened)	DCR (high)
Dominant/Exclusive Source	15	12	9
One of Several Sources	12	9	6
Minor Sources	9	6	3

No Net Pollutant Reduction	0	0	0	
2. Unrelated to above but will result in pollutant reduction				
Relationship of Discharge Resource Value <u>To pollutant reduction</u>		High	Med	Low
Major Reduction		12	9	6
Minor Reduction		6	5	3
Base points from the matrix will be multiplied by a factor of 10 for the total score in this category				
B. Enforcement/Compliance History			(Maximum 25 pts.)	
If Loan Recipient has no recent enforcement history (no NOV's issued within last 12 months) or no active enforcement actions are in place or are in progress, twenty-five (25) points should be assigned and the complete evaluation need not be considered. If, however, an enforcement action is in place or is contemplated, evaluate the Loan Recipient as outlined below.				
No recent enforcement history (no NOV's issued within last 12 months) or no active enforcement actions are in place or are in progress		25		
		N/A	High	Med Low
Cooperative efforts to comply with any currently active enforcement actions, i.e., with adequate and timely submittal of plans for correction; compliance with milestones contained in administrative or judicial actions or permits		10	10	5 0
Physical improvements made by the locality including correction of I/I problems and enhancement of treatment processes; use of local funds for improvements		10	10	5 0
Management efforts to improve treatment including proper O&M of existing facilities, rate increases needed to maintain/provide adequate treatment, voluntary measures to restrict flows		5	3	1 0
III. FISCAL STRESS				

A. <u>COLG Composite Stress Index</u>	(Maximum 100 pts.)
Base points for county and city applicants will be taken directly from the latest available Commission on Local Government composite fiscal stress index. Town applicants will be assigned the points of the surrounding county. Any applicant with a project serving more than one jurisdiction (such as public service authorities or towns located in two counties) will be assigned a weighted average from the component scores	
B. <u>Bonus for Towns</u>	(Maximum 25 pts.)
Revenue production efforts by: <i>recent tax rate increase for other capital improvements. (last 5 years) sewer user fees and charges significantly increased (last 5 years)</i>	15 pts.
Declining trends such as: <i>lost industries</i> <i>revenue generation decline</i>	10 pts.
IV. READINESS-TO-PROCEED	(Maximum 50 pts.)
Plans and specifications approved by regulatory agencies	50 pts
Plans and specifications submitted to Health Department (under review)	40 pts
Plans and specifications under design and to be completed and submitted within 4 months of date of application	30 pts
Plans and specifications being prepared	10 pts.
Preliminary engineering report/planning complete	5 pts.

